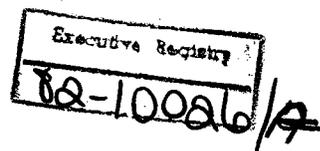


Central Intelligence Agency



Washington, D.C. 20505



20 AUG 1982

Dr. David M. Abshire, President
The Center for Strategic and International Studies
Georgetown University
1800 K Street, N.W.
Washington, D.C. 20006

Dear Dr. Abshire:

Thank you for sending us your most recent Contingency Report on
Zemala. We always welcome receiving thoughtful studies from the
academic community on issues of high-level interest. I have passed
the paper along to the NIO for Latin America and working level analysts.
I hope you will continue to think of us when you distribute future
contingency reports.

Sincerely,

/s/ John N. McMahon

John N. McMahon
Acting Director of Central Intelligence

218

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NIO/LA:RP:1c (18 Aug 82)

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3 August 1982

The Honorable William J. Casey
Director of Central Intelligence
Washington, D.C. 20505

Dear Bill,

CSIS has inaugurated a series of "Contingency Reports" that we hope will assist senior government officials in planning for tomorrow's surprises. Enclosed is the latest study,

Contingency Report #6: Guatemala and Central America's Northern Flank.

CSIS Contingency Reports do not attempt to predict the future, but they do try to highlight major contingencies that may occur, especially those that could have important consequences for U.S. policy. The project has now gathered speed to the point where we are distributing these reports to a small group of colleagues in the national security community.

The Contingencies project draws on all the resources of the Center, forming ad-hoc working groups to examine each contingency in depth. The project is chaired by R. James Woolsey, CSIS counsel and former Under-secretary of the Navy; its vice-chairman is George A. Carver, Jr., CSIS senior fellow in future national issues and former senior intelligence official.

A list of previous Contingency Reports, which are available on request, is attached.

I hope you find the Contingency Reports useful. Please direct any comments or correspondence regarding them to Jim Woolsey.

Sincerely yours,

David M. Abshire
President

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CONTINGENCIES REPORT #6
GUATEMALA AND CENTRAL AMERICA'S NORTHERN FLANK

This report, prepared under the aegis of the Contingencies Project of Georgetown University's Center for Strategic and International Studies, was drafted by Dr. Georges Fauriol, CSIS Fellow for Caribbean Studies.

June 30, 1982

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
THE CARIBBEAN BASIN REGION	
Background	2
U.S. Interests	2
Current Geostrategic Factors	3
CENTRAL AMERICA'S NORTHERN FLANK	
Background	5
RECENT EVENTS IN GUATEMALA	
The Advent of the Montt Regime	6
The Montt Regime's Future Direction	7
The U.S. Reaction	9
CONTINGENCIES	
The Longevity of the Montt Regime	10
Increase in Guerrilla Insurgency	11
U.S. Foreign Policy	12
Guatemala-Belize Territorial Dispute	12
International Spillover into Mexico	13
U.S. POLICY OPTIONS	14

EXECUTIVE SUMMARY

Current public policy attention has been so narrowly focused on El Salvador and Nicaragua that potentially more serious contingencies on both the northern and southern flanks of Central America have been largely overlooked.

In the south lie the growing dangers of terrorism and border security in Costa Rica, ensuing threats to Panamanian stability, and, over the long term, growing Colombian political uncertainties.

It is on Central America's northern rim, however, that U.S. strategic exposure may be the greatest for the following reasons:

- o Last year's upsurge in the infiltration of weaponry to Central American guerrillas from Cuba and elsewhere has represented a direct threat to El Salvador, to which the United States is responding.
- o But U.S. efforts to reverse the increase in left-wing activity in Guatemala, spearheaded by approximately 6,000 guerrillas, have so far failed. This suggests that a protracted guerrilla war in Guatemala, or even possibly a left-wing takeover, already has a momentum of its own, regardless of the success or failure of U.S. Salvadorian policies. Worse, the timing of a Guatemalan crisis could affect the U.S. margin of political and security success in El Salvador over the next 18 months. Phrased differently, U.S. policy in El Salvador, and most likely in Honduras, would not survive if Guatemala "fell."
- o To complicate matters, the increasing fragility of Mexico's frontiers could become the most serious foreign policy problem facing the incoming administration of Miguel de la Madrid. The flood of refugees crossing Mexico's southern border is certain to increase if the crisis in Guatemala deepens, and Mexico's serious economic problems could give a fresh impetus to illegal migration to the United States.

There is, however, a positive side. The recent change in Guatemala's cast of characters presents the United States with some opportunities, both to reassess the U.S. position vis-a-vis Guatemala and to maintain an effective Central American policy. Critics of the administration are thus a bit premature in their growing condemnation of the still untried Montt government and of U.S. Central American policy in general.

* * * * *

THE CARIBBEAN BASIN REGION

Background

The Caribbean Basin is a geopolitical concept that encompasses 165 million people living in more than 40 nations and dependent territories. Of these, about 90 million live in the eight countries from the U.S. border to Panama, the bulk of them in Mexico. The seven nations of Central America proper (Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama) have a population of only 22 million, a combined GNP of about \$22 billion (1982), a negative balance of payments of more than \$1.5 billion (1982), an average inflation rate of about 20 percent, and an average illiteracy rate of about 45 percent. In 1981 U.S. concessional assistance to Central America amounted to \$252 million; total U.S. foreign trade with the region stood at about \$4 billion. Under President Reagan's now mangled Caribbean Basin Initiative (CBI) and the administration's FY 83 foreign aid proposals, the region is slated to be the beneficiary of several hundred million dollars, much of it presently directed toward El Salvador and Honduras.

U.S. Interests

Since the days of the Monroe Doctrine, the Caribbean Basin has comprised an area of great importance to the security interests of the United States. Recent events have demonstrated that this region is one of the two or three most explosive centers of international, if not superpower, confrontation. The Caribbean and Central America are part of a security community, traditionally under the aegis of the United States, where Cuba's activist postures have been destabilizing and broadly promotive of Soviet interests.

Successive U.S. governments have undertaken repeated efforts to ensure that the nations of the Caribbean Basin remain friendly, moderate, and generally independent of hostile foreign influence. U.S. toleration of Castro's Communist regime was the exception that proved the rule. But recent events -- particularly Cuba's pivotal role in the 1979 Grenadian revolution, in the Nicaraguan revolution, in the 1980 Jamaican elections, in the present Salvadorian conflict, and most likely in Central America as a whole -- have severely undercut the traditional vision of the Caribbean Basin as a community of nations broadly supportive of U.S. regional and global policies. Given the sensitivity of the United States to such developments and the dangerous role that the Castro government has seemed intent on playing, the Reagan administration early on devoted priority attention to containing Cuban influence in the region.

Geostrategic Factors

Although traditional U.S. influence in the region has weakened, the Caribbean Basin retains an inescapable geostrategic importance. The region is not only a maritime gateway to the hemisphere, but also a sphere of political and economic interplay, human interchange, and military interest. Above all, the geographical proximity of the Caribbean Basin makes it a uniquely significant area for the United States for the following reasons:

1. Shipping Lanes

From 70 to 80 percent of U.S. oil imports flow through the region, with much of the crude oil refined and transhipped in Puerto Rico, the U.S. Virgin Islands, and the Bahamas.

2. Raw Materials

Caribbean exports of bauxite, alumina, and nickel contribute significantly to the economic security of the United States.

3. Illegal Immigration

The Caribbean and Central American regions constitute the second largest source of illegal immigration to the United States, the primary source being Mexico.

4. Military Force Projection

U.S. military deployment and projection of forces overseas is dependent on adequate control of the principal maritime choke points of the Caribbean, which in turn control transit through the Panama Canal.

5. Oil and Gas Resources

The very large oil and gas reserves in Mexico, most likely Guatemala, and possibly Belize represent significant alternatives to the Organization of Petroleum Exporting Countries (OPEC), as well as targets of opportunity for hostile powers. Mexico's proven oil and gas reserves are estimated to be about 72 billion barrels. In 1981, oil and gas accounted for 75 percent of total Mexican merchandise exports. Estimates of Guatemalan reserves are in the 3 billion barrel range, with many of Guatemala's oil fields located along the Mexican border. Development of Belizian on and off-shore energy potential has also received measured industry enthusiasm.

6. Geopolitical Momentum

Political warfare in Central America adverse to U.S. interests regionally and globally further strengthens the momentum and power base of local left-wing and pro-Soviet Marxist groups and diverts important U.S. resources. El Salvador may be the decisive turning point in this regard. Victory for the Frente Farabundi Marti para la Liberacion Nacional (FMLN) by war, or by the Revolutionary Democratic Front (FDR) in negotiations, would strengthen Marxist groups throughout the region and would possibly lead to major leftist offensives against Guatemala and perhaps Honduras and Costa Rica. Sooner or later such a sequence of events could easily engender a process of revolutionary destabilization in Mexico. Strife in Guatemala and Mexico could also develop a momentum of its own. Terrorism in Guatemala could lead the Mexican military to play a stronger role in the political arena. Over the long run, terrorism in Mexico would have a profound effect on U.S. territorial security.

CENTRAL AMERICA'S NORTHERN FLANK

The fact that the Salvadorian conflict has dominated the concern of policymakers and the public alike does not mean that other troublespots in Central America are of marginal importance. In a tactical sense, the immediate battle lines may have been drawn in El Salvador, but the long-run dangers in the region lie in its geopolitical extremities: Guatemala, Belize, and southern Mexico on the northern flank; and Costa Rica, Panama, and Colombia in the south. The objective interests of the United States are thus based on two anchors: the Panama Canal in the south and Guatemala in the north. At present, it is in the latter region that the dangers for the United States may be greatest.

Guatemala is the jewel of any Central American strategy. It has the largest population and economy in this subregion, an incipient industrialized base, an established export-oriented agriculture (coffee, cotton, sugar), significant oil reserves, hydroelectric power resources and nickel deposits, the most genuine, if latent, tourism potential in Central America, and it has traditionally been governed by fiercely, often harsh, anti-communist governments. In contrast, other U.S. regional interests may in fact be more modest, even though U.S. political and economic exposure remains significant throughout Central America.

Background1. Domestic Power Brokers

Central American institutions, including those of Guatemala, are changing only slowly, grudgingly, and with considerable violence. Until recently, Guatemala had a relatively stable oligarchy, although it is fair to say that this stability had been maintained since 1954 through the use of coercion and electoral fraud. As in the Salvadorian case, government and governmental-affiliated private forces have used violence against opponents to ensure the continuity of the regime. Thus years of fratricidal slaughter have led to a sharp polarization of Guatemalan public life. The military, in its various factions, remains the real power holder.

2. Public Relations Concerns

U.S. options are limited by the generally poor image Central American regimes, particularly Guatemala, have in the United States. This is based in part on U.S. politics, particularly in Congress, in part on poor public relations by both the Guatemalan government and its U.S. supporters, and in part on harsh international reality.

U.S. public reaction to Guatemala is unusually negative and entrenched, and it has been well cultivated by liberal and outright left-wing pressure groups. Thus, whatever U.S. policy is pursued toward Guatemala, U.S. public reaction will be strongly affected by the perceived legitimacy of U.S. actions. To that extent, the U.S. ability to improve the image and actual performance of the Guatemalan regime remains a critical variable.

3. U.S. Policy Leverage

Although less so than in El Salvador, the United States has publicly identified the Cuban government as providing guidance to Guatemalan guerrilla groups, including training of key leaders. By most conventional measurements, however, the United States has very limited leverage over the conduct of the Castro regime in these matters. Thus, Cuba's link to U.S. Guatemalan policy is only likely to be affected by broader strategic approaches to U.S.-Cuban relations. On the other hand, although the U.S. government has had disappointingly little influence over the conduct of Guatemala's government since 1977, there is probably a great deal the United States can do to influence the conduct and fortunes of the present Guatemalan regime.

4. Mexico and Belize

On Guatemala's borders, both Mexico and Belize are uneasy. Threats to the Mexican system should not be overestimated, but the challenges presently confronting Mexico's leaders are without precedent. The Mexican "revolutionary" mythology has employed patronage and populist rhetoric to obscure a rather retrograde sociopolitical reality. Although not an immediate issue, the incoming de la Madrid administration can no longer ignore this gap between myth and reality.

Belize, at present a bit player, is a new nation attempting to isolate itself from Central America's convulsions. But the battle for Belize's allegiance is intense. In February, a Cuban trade mission visited the country a week after the United States had signed a military aid treaty. There is no doubt that Belize would provide a useful U.S. base of operations were Guatemala to "fall." But, in the interim, Belize faces a chain of other problems: serious political divisions within the present government of Prime Minister George Price, a difficult economic situation, a serious territorial claim by Guatemala dating back to the nineteenth century colonial era, a concern regarding Guatemala's guerrilla insurgency, and a socially complicating influx of Spanish-speaking refugees from El Salvador.

5. Oil

Central America's northern flank encompasses the oil fields of Guatemala, Belize, and Mexico's Chiapas and Tabasco states. The latter constitute the regions' most productive fields along with the adjacent offshore sites in the Gulf of Campeche. Some of these fields are fewer than 100 miles from the Guatemalan border, and increasing violence in Guatemala has not gone unnoticed by the Mexican leadership. The protection of Mexican oil fields may ultimately become a major issue -- and a long-term concern of the United States.

RECENT EVENTS IN GUATEMALA

The Advent of the Montt Regime

The coup d'etat of March 23, 1982 ousted from power the totally discredited government of General Romeo Lucas Garcia as well as his newly elected successor, General Angel Anibal Guevara. In the following months, however, the ensuing Guatemalan junta has undergone three significant permutations.

Lucas Garcia and Guevara were initially deposed by troops

led by a small coalition of junior officers, particularly Captain Carlos Adolfo Munoz. By the first evening of the coup, they were in turn superseded by what amounted to a three-man military junta: Brigadier General Efrain Rios Montt, the junta leader; General Horacio Maldonado Shaad, who became minister of the interior and, in effect, head of the nation's much maligned security and para-military forces; and Colonel Francisco Gordillo Martinez of the Army Command. On June 9, General Montt took over sole control of the Guatemalan government. In addition to assuming the presidency and announcing the "resignations" of both Maldonado Shaad and Gordillo Martinez, Montt also announced that he would stay in office until the end of 1984.

Montt's background is, by local standards, that of a genuine moderate and professional military man. His past includes posts as head of the president's Honor Guard, director of the National Military Academy, and director of Studies for the Inter-American Defense College in Washington. He has attended the U.S. Army's Southern Command training program in the Panama Canal. He was army chief of staff in the early 1970s, became the presidential candidate of the Christian and Social Democratic parties in 1974, won that election but was promptly sent into inactive exile as military attache in Spain. He returned in 1978, apparently as a devout born-again Christian. Montt joined the Christian Church of the World, an evangelical group connected with the Gospel Outreach of California. His brother is the Catholic bishop of Escuintla in Guatemala.

The March 23 coup was the culmination of simmering discontent across a broad spectrum of Guatemalan society and, in that context, was far from unexpected. Agricultural and industrial interests blamed Lucas for bringing the nation to the brink of economic ruin. The private sector and forces within the military also blamed Lucas for Guatemala's diplomatic isolation. The bungling of the March elections, which had been looked upon by Washington as a major test case of Guatemala's eligibility for renewed U.S. military aid, forced the situation. The coup was planned and executed by young officers within the army and air force, with some limited participation from the right-wing National Liberation Movement (MLN) party. Under pressure from the military hierarchy, the junior officers chose General Montt as a figurehead leader. He, in turn, acted swiftly to strengthen his control over the coup and dispel notions of association with the MLN. Montt then consolidated his power by dismissing his junta partners. That move apparently received the support of Captain Munoz and could thus imply a continuing restructuring of the political balance in the armed forces away from the older and more senior officers associated with past military administrations.

The Montt Regime's Future Direction

This continues to be uncertain. The new president has pleased many critics by removing from influence the most violence-prone segments of Guatemalan politics, including the

right-wing death squads. The former president and his brother (ex-Army Chief of Staff Benedicto Lucas), the former police director (General German Chupina Barahona), and the former defense minister (General Rene Mendoza Paloma) are presently all under house arrest. Also under pressure are the two former heads of the secret police, Pedro Garcia Arredondo and Manuel de Jesus Valiente Tellez. The Montt government's crackdown on corruption has also affected several civilian members of the Lucas administration. Several of them have gone underground and others later reappeared outside Guatemala's borders. Significantly, the call for civilians to surrender or at least register their weapons has had a significant psychological impact. In the weeks following the coup, life in Guatemala City quickly returned to normal.

The new government has also taken the important step of declaring an amnesty throughout June for both guerrillas and members of police and military units. The response from the major Guatemalan guerrilla organizations, however, and the disappointing experience of the 1980 and 1981 Salvadorian government calls for guerrilla amnesty in that country leave little reason to be particularly hopeful. On June 30, the amnesty deadline was reached with no significant breakthrough. Subsequently, General Montt declared a 30-day martial law period and underlined the government's intention to launch a major counterinsurgency drive.

Ironically, amnesty for members of Guatemala's security apparatus, particularly in connection with the role of the secret police and the actions of paramilitary forces in the countryside, is likely to be a more successful administration measure. Politically, it could imply that the Montt regime has decided not to pursue actively the prosecution of the Lucas administration's generally discredited leaders. This may suggest a complex quid pro quo, with the previous government unlikely to delight Montt's more progressive civilian political supporters among the Christian Democrats.

At this juncture, the Montt regime is viewed as suffering from another rendition of "plus ca change, plus c'est la meme chose." Although Montt's actions have established laudable themes, no clear program except for the ad hoc Fundamental Governing Statutes has been perceived by either domestic critics or potential international supporters of the new Guatemalan government. Meanwhile the economy continues to contract and the guerrilla war in the countryside continues generally unabated.

From an increase in 1979 and 1980, export revenues plunged 19 percent in 1981. There has been a 50 percent drop in tourism revenues. Not surprisingly, the commercial trade deficit has reached an all time Guatemalan high of \$489 million. The nature of the political risk is now evident in two significant economic developments: on one hand, at least \$1 billion of capital has fled Guatemala in the last two years; but, on the other hand, the

major inflow of foreign investment is now taking place in the nation's growing oil and gas interests.

The U.S. Reaction

In the period since the coup, the Reagan administration has tentatively embraced the Montt regime. In early May, Jeremiah O'Leary of the National Security Council staff met with General Montt and senior Guatemalan leaders. The State Department is lobbying Congress to approve resumption of military aid, suspended in the Carter years. As a symbolic first step, the administration is requesting a \$250 thousand military training grant and \$4 million in spare helicopter parts. But, as of June 1982, there was strong congressional Democratic opposition to any aid to Guatemala.

In addition to the psychological baggage that the Lucas regime's reported massacres and government-sponsored violence has created, future U.S.-Guatemalan relations are complicated by the attention that has been focused on Guatemala's large Indian population. Approximately half of the country is Indian, most of them living a marginal existence, although many are also among Guatemala's urbanized classes. Since late 1980, after decades of relative political inactivity, Guatemala's Indians have shown signs of growing participation in the proliferating guerrilla forces. U.S. congressional charges that the Montt regime may be redirecting the insurgency war toward the rural Indians are, however, a gross misreading of the situation. Conservative agricultural interests may indeed be waging their own private war against perceived, guerrilla targets, but this does not mean that the governments struggle has acquired an ethnic tone. If nothing else, an overwhelming proportion of Guatemala's armed forces is itself Indian, as is, to a lesser degree, the government that backs it.

CONTINGENCIES

The key indicators to monitor over the next 18 months are the following:

- the growing, or fading, image of the Montt regime,
- the scale of terrorist (right and left-wing) violence,
- military successes on the battlefield against guerrilla groups,
- Indian involvement in Guatemala's left-wing politics,
- events in El Salvador and U.S.-Cuban relations,

- U.S. congressional responses to the Reagan administration's tentative overtures toward rehabilitating military assistance to Guatemala.

1. Longevity of the Montt Regime

The March 23 coup presented considerable risks for the army command. In the near future, it faces possible divisions from within, strong political opposition from both the extreme conservative and left-wing opposition groups, and considerable reservations about the regime by the U.S. Congress.

The most serious scenario would involve the disintegration of the army command into three feuding factions, most likely between the leadership of the current government, the conservative officer corp backed by agricultural interests, and reformist-minded junior officers. This would lead to new juntas and countercoups, all ultimately strengthening the hand of the guerrillas.

A second scenario could involve a political fight between General Montt and his centrist backers against the eager young officers and their conservative MLN supporters. In a successful showdown, the fall of Montt would lead to quick elections in which the MLN (probably headed by Mario Sandoval Alarcon) would probably win an electoral majority. Although MLN government would seek support from the Reagan administration, it would be very difficult for Congress and U.S. public opinion to find any significant differences between a Sandoval and a Lucas regime.

A third possibility is the path presently being pursued by Montt and closely watched by the Reagan administration. The creation of a popular, generally reform-minded, or at least effective, government would provide a conducive context for positive U.S. involvement in Guatemala. With reasonable backing from the Army command, and even limited U.S. economic support, Montt could probably fend off a deepening of the guerrilla insurgency and the danger of military and economic insolvency.

Montt has also recently alluded to possible negotiations with the leftist insurgents, presaging a fourth scenario wherein the precarious balance of forces supporting the regime would probably be undermined. Specifically, the more conservative elements would probably not tolerate, and in fact vehemently reject, any participatory role for leftist factions within the present political structure. The major outside factor associated with the third and fourth scenarios remains the likelihood that the Left will not come to power in El Salvador in the next 24 months.

2. Increase in Guerrilla Insurgency

The last major army offensive occurred in February in the department of Quiche, a guerrilla stronghold. After that, army activity was limited, for a while, to local, though bloody, holding actions in the countryside. Recently, however, the Montt government has resumed larger military operations. In the interim, urban guerrilla activity, at least in Guatemala City, has clearly declined. In all, there are three key factors at play for the near future.

First, General Benedicto Lucas Garcia (the previous president's brother) has been removed from his position as army chief of staff. Although brutal, Benedicto Lucas was the army command's most successful counterinsurgency officer. Highly professional, he had succeeded in raising the morale of his troops and had begun to thwart the guerrillas tactics with aggressive and mobile counteractions. The March 23 coup has interrupted this process, and problems have been compounded by the removal of several field officers and the increased but costly use of ill-trained paramilitary rural forces.

Second, in February 1982, the four leading revolutionary organizations -- the Guerrilla Army for the Poor (EPG); the Organization of People in Arms (ORPA); the Rebel Armed Forces (FAR); and the Guatemalan Labor Party (PGT) -- united, under Cuban prodding, into a single command: the Unidad Revolucionaria Nacional Guatemalteca (URNG). Unless the army's combat morale and poor supply problems are addressed, the guerrillas will retain the military advantage in the foreseeable future, particularly in the northwestern and western regions. By most accounts, the extensive rural insurgency has disrupted coffee and cotton production, and, more significant, exports. Worse, the guerrilla campaign has dramatically reduced the nation's available lines of commercial credit.

For their part, the guerrillas are well equipped with Soviet-made RPG-7 grenade launchers, captured Israeli-made Uzis, and M-16 rifles. Unless pressure from the United States increases, guerrilla supplies will continue to arrive through Mexico, by ship from Cuba, or by land through Honduras and Nicaragua.

Finally, the stalemate between Congress and the administration regarding Guatemalan policy will make it very difficult to respond to a security emergency in Guatemala. If guerrilla action is stepped up, Guatemalan needs will rise while effective resistance will decline. These developments will have a serious impact on the course of U.S. efforts in El Salvador. On balance, the present Guatemalan regime will be operating on a very thin political, economic, and security margin over the next 18 months.

3. U.S. Foreign Policy

Because of its uncertain nature vis-a-vis Guatemala, (for reasons explained above) U.S. policy constitutes a separate contingency. Unfortunately, much U.S. policy activity vis-a-vis Guatemala may remain only a byproduct of Salvadorian policies and events. As in El Salvador and Honduras, U.S. military aid and training remains a possibility, but a distant one, unless congressional perceptions of security threats in northern Central America change in the next 18 months (particularly with the new 1983 Congress). In the foreseeable future, conventional economic assistance has a slightly greater chance, although the administration would have to put in a supplementary budget request for FY 83 and 84. That would involve a delicate political move, whose success would largely depend on the image of the Montt government. Ironically, Montt might benefit from an increasingly conservative and unpalatable Salvadorian regime, to the extent that Guatemala in the north and Costa Rica in the south would become the new anchors of U.S. policy in Central America.

4. Guatemala-Belize Territorial Dispute

Despite the fact that the Falkland crisis has focused renewed attention on Latin American territorial disputes and Guatemala's strong support of the Argentine position, the odds have not changed that the long simmering Guatemala-Belize territorial dispute will erupt. Obviously, there is some concern regarding the Montt regime's indication that Guatemala may not honor any agreements made last year with Great Britain concerning the independence of Belize. But at this juncture Guatemalan armed forces are tied down in a costly insurgency war, leaving little operational margin. In addition, the Falkland crisis model is not entirely applicable to Belize. As an independent nation and as a member of the United Nations, Belize commands a totally different (that is, independent) balance of diplomatic forces. (Guatemala would have more to learn from the Guyana-Venezuela dispute.) Furthermore, in the foreseeable future, Belizean security will most likely be guaranteed through U.S. assistance with or without a British military presence.

The real danger of this border dispute lies in the fact that as the insurgency in Guatemala develops, bases may increasingly be established in the Belizean interior and in the south near Guatemala's short Caribbean coastline. These would provide an effective military base for guerrilla activity in the jungle terrain of Guatemala's Peten and the Lago de Izabal area to the southeast. Operations in the latter region would cut off the nation's vital road and rail lines and the oil pipeline to Guatemala's only Caribbean port, Puerto Barrios. This would make counterstrikes tempting to the Guatemala government. In view of the preexistence of a border dispute, Guatemalan actions against guerrilla bases in Belize could easily be misconstrued and develop into a major crisis. The Cuban government would most likely find it advantageous to support Belize. Such a scenario

would possibly cause Mexico to intercede in support of one of the parties in the dispute. With interests and commitments on both sides of the Belize-Guatemalan border, U.S. reaction to such a situation would be strained at best.

5. International Spillover into Mexico

Mexico has traditionally perceived a need to pursue a cooptive strategy toward revolution in the Caribbean Basin. In practice, this has served as a defensive hedge against both Mexico's restive domestic radicalism and new revolutionary groups that are, in the Mexican analysis, bound to capture power throughout the region. Mexico's somewhat condescending confidence assumes that radical regimes coming to power in the Caribbean Basin are most likely going to be modeled in both spirit and action after the Mexican revolutionary process, rather than modeled after the Cuban or Soviet example. But with Cuban-inspired insurgency sprouting throughout the region, the soundness of the Mexican analysis is debatable.

Within this context, any conversion to the Left by a Guatemalan regime should be viewed as a possible threat to Mexico. If this is accompanied by a strengthening of the Marxist-Leninist wing of the Sandinista regime in Nicaragua and if the guerrillas were to ultimately win the day in El Salvador, serious frictions would most likely occur within the Mexican governing elite. Were a new Guatemalan government to develop along radical but hypothetically "independent" socialist lines, or were it to develop from the beginning as a Marxist-oriented and Soviet-linked regime, U.S. concerns about Mexican political stability and even regime security would also have to come to the fore -- particularly if Mexican diplomacy remained committed to a fashionably radical ideology.

But even without such dramatic changes Mexico will continue to be faced with serious border problems due to immigration and refugee crises ensuing from Central American instability, infiltration of guerrillas into southern Mexico or the establishment of bases for Guatemalan guerrillas, and socioeconomic unrest in the oil-producing areas of Chiapas and Tabasco.

If the crisis in Guatemala increases, a flood of refugees will most likely come over the Mexican border. This influx would come on top of an estimated 125 thousand Salvadorians that have entered Mexico illegally since 1980. Many of these Salvadorians have now reached the United States, and one can assume that a similar trend would be set in motion by a Guatemalan outflow. Already it is estimated that some 40 thousand Guatemalans have taken refuge in the Mexican state of Chiapas. Mexico's problems are compounded by the lack of any clear policy on this issue, and worse, by the inconsistency Mexicans are now faced with: a mass expulsion of Guatemalans by Mexico in 1981, which coincided with Mexican pleas regarding the human rights of illegal immigrants in the United States. To complicate matters, Mexico's serious

economic problems give it fresh impetus to encourage both Mexicans and Central Americans to emigrate to the United States.

Finally, on the issue of oil field security, the Mexican leadership is generally aware of the danger it faces in the south. The government views the oil producing zone as a sensitive one from a social and employment policy perspective. The stationing of troops in the area suggests further Mexican concerns. In 1980, the Mexican Army held extensive maneuvers in the border state of Chiapas involving some 50 thousand troops (almost half of Mexico's armed forces). Mexico has also been pushing a military modernization program, including the creation of a crack quick-reaction unit. In the last two years Mexican oil fields have been subjected to supply disruption, with groups of peasants blockading the roads because of "environmental damage." The concern of Mexico's leadership has been reflected in its choice of a military man (General Absalan Castellanos Dominguez) as the next governor of Chiapas.

But, fundamentally, Mexico's border security problems and ensuing solutions are tied to the government's ability to assess developments in Central America realistically. They are also tied to the ability of Mexico's civilian leadership to upgrade the nation's military apparatus without fundamentally changing the balance of the political system.

U.S. POLICY OPTIONS

Recent events in Guatemala suggest substantial changes may be occurring in the Guatemalan political arena. A generally discredited, corrupt, and repressive regime has been replaced by a government that has demonstrated its determination to curtail corruption, improve its human rights image, and achieve a greater degree of political, economic, and social stability. Major structural changes, however, will not occur immediately. It is therefore probable that Guatemala will remain a source of difficulty for U.S. policy. The growing leftist insurgency movement in Guatemala will pose a particular problem for U.S. Central American policy, particularly for the duration of the Salvadorian conflict.

The following considerations will shape the U.S. policy response:

1. U.S. Military Action: In 1982, it would clearly be unrealistic to think of "sending in the Marines" in response to the current or any likely future situation in Guatemala. Not only are there many legal restraints and impediments to any such action, but the congressional and public outcry would be strident if the administration gave any indication that it was even considering such a course of action. Politically, as well as legally, any commitment of U.S. ground forces could only be justified in the extreme case of direct, large-scale foreign

military involvement in Guatemala that represented a clear threat to the territorial security of Mexico and the United States.

2. "Hands-off" Approach: Given the strategic significance of Central America's northern flank, including Guatemala, a "hands off" or "ostrich" approach by the United States would be even more inappropriate.

3. Military Aid: Large-scale U.S. security assistance to Guatemala could be desirable. This might actually only involve limited commercial sales of military hardware. But, given current U.S. domestic political realities and budget constraints, U.S. military aid to Guatemala, now essentially nonexistent, is unlikely to increase. Guatemala suffers from a shortage of needed equipment and trained personnel, as demonstrated by the disappointing military operations against guerrilla installations along the Mexican border. But as long as current U.S. public and congressional perceptions of Guatemala and the Caribbean/Central American region remain negative, the U.S. government will be limited in the amount of security aid it can provide.

Small scale military assistance is an alternative presently being sought by the Reagan administration, albeit with considerable congressional reservation. In view of Guatemala's immediate security needs, such limited military aid may be useful to test the administration's determination in the face of congressional opposition. Yet the size of the aid may be so small as to have little practical impact in the conduct of the counterinsurgency campaign. If no aid is provided, however, Guatemala may be encouraged to seek other less scrupulous suppliers. No aid at all could contribute to a total collapse of Guatemala's armed forces.

4. Economic Aid: A program of large-scale economic assistance would be very desirable, but it would be subject to the same budgetary and political pitfalls. Guatemala clearly needs such an infusion, which could halt the continuing hemorrhage of the nation's economy. Obviously, the role of the private sector is crucial in this regard, but given Guatemala's (and Central America's) present political risk environment, the corporate community should be viewed as only an adjunct to an effective U.S. government policy.

5. Reforms: Urging the Montt regime to implement social and economic reforms and a program of political liberalization, while highly desirable, may well be opposed by Guatemala's powerful conservative forces. As in the Salvadoran case, coopting these interests into moderate or even mildly progressive governing alignments may prove to be an extremely frustrating task -- especially if the Reagan administration's policy toward this end is undercut by conflicting congressional action.

6. Interdiction: A sea and air blockade that aimed at cutting off arms supply routes to the guerrilla insurgents in Guatemala would be very difficult to implement. A large portion of the

arms traffic into Guatemala comes through Mexico, thus a U.S. blockade would necessitate a much more forceful U.S. policy toward Mexico. To be effective, a blockade would have to control arms that enter Honduras by ship and then travel overland through El Salvador into Guatemala; in addition, interdiction would also have to be extended to control arms traffic through Belize as well as arms entering directly via Guatemalan Pacific ports. Clearly, such actions could have very grave consequences. They would complicate U.S. relations with our traditional European allies and with the countries of Latin America. They could also trigger Cuban or Soviet responses.

7. Negotiations: Until recently it was generally believed that direct negotiations between the Montt regime and the left-wing insurgent groups were not likely to occur. However, recent reports indicate that Rios Montt has taken the initiative and shown some willingness to negotiate with the Left. Although U.S. policy probably does not oppose such an initiative, there are several significant factors involved. The exact tactical objective of negotiations with the left-wing groups is not clear, nor are the domestic and international implications of Montt's initiative. Regardless of the willingness on the part of the left-wing groups to negotiate, and regardless of the actual result of the negotiations (if any), the fact that the Montt regime is willing to negotiate with the leftist groups is significant for U.S. policy -- but the considerations involved are complex. The Guatemalan initiative -- together with recent reports that Roberto D'Aubuisson, the conservative president of the Salvadorian constituent assembly, has traveled to Panama to meet with representatives of the Salvadorian leftist insurgent groups -- indicates a possible dissatisfaction on the part of conservative Central American regimes with U.S. policy in the region, stemming from the failure of the United States to come to the aid of these governments as they had expected. In addition, direct negotiations with the left-wing groups, if they take place, would probably suggest some shifts in Cuban tactics toward revolutionary change in the Caribbean Basin and elsewhere. The occurrence of a shift in Cuban policies may have also been signaled by Havana's recent announcement of a termination of the U.S.-Cuban dialogue. These developments suggest a changing geopolitical environment that may give the United States further opportunity to restructure Central American policy to its advantage.

A disinterested, low-profile approach regarding bilateral relations with Guatemala will not enhance U.S. interests in the region. Instead, an attempt should be made to broaden channels of communications with the Montt government. By employing government-to-government contacts (presently inactive), the United States can develop creative and effective courses of action. Efforts to reverse the unsettling pattern of increased guerrilla insurgency and revive increasingly impaired Guatemalan armed forces capabilities should be considered by the United States. Effective security assistance would be part of this agenda. This does not have to imply an overly coercive course of

action if, regionally, the United States is able both to gauge Cuban and Nicaraguan objectives and to impress these countries with the seriousness of U.S. intentions. As a complement to the expansion of direct U.S. aid, the administration should also foster greater interaction between Guatemala's political and economic leadership and the international community. A byproduct of this process could be renewed political confidence in Guatemala's economic potential on the part of the multilateral lending community, Guatemala's own private sector interests, and the international business community. Guatemala's geostrategic significance and the need to preclude the expansion and influence of hostile forces within Central America's northern flank clearly suggests adopting this mix of active, creative, and effective policy alternatives.

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